

ECONOMIC COMMENTARY

International Exports Contributed to Alberta's Strong Economic Performance in 2012

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Highlights:

International merchandise exports are a major driver of Alberta's economy, accounting for more than 30% of Alberta's Gross Domestic Product (GDP). In 2012, the value of Alberta's merchandise exports rose a meager 1.7% to \$94.8 billion. However, this weak growth was the result of lower commodity prices as export volumes increased by an estimated 5½% in 2012. Such a high growth rate for export volumes provided a boost to Alberta's economic growth in 2012.

In 2012, the value of Alberta's merchandise exports rose a meager 1.7% to \$94.8 billion. As in other years all of the increase in 2012 can be attributed to higher crude oil exports which rose 9.6% and now account for 60% of Alberta's goods exports. Crude oil volumes increased by 8.7% as both oil sands and conventional oil output rose; oil prices rose by less than 1%.

Primary agriculture was the sector with the highest growth in 2012 as exports increased 22.3% on strong growth for both crops and livestock. Exports of manufactured goods rose 1.1% in 2012 as surging sales of refinery products and oil and gas field machinery and equipment were almost offset by declines in the primary metals and chemicals sectors. Mining and energy exports rose only 0.5% as the strong growth in crude oil was mostly offset by a large 33.1% decline for natural gas and gas liquids exports as well as large declines for coal and sulphur. Natural gas prices fell 31.5% (gas liquids had much smaller declines – for instance propane prices dropped 23%) and natural gas volumes dropped by 4.4% in 2012.

Alberta's export volumes grew by an estimated 5½%, primarily due to the 8.7% jump in oil volumes but also to strong growth in export volumes of refinery products, crops, cattle, wood pulp and oil and gas field machinery and equipment. This contributed to Alberta's 2012 economic growth of 3.9%, the highest of all provinces, as international merchandise exports have recently accounted for more than 30% of GDP. Exports were also a major driver of the economy in 2011 when export volumes rose 10%.

All of this year's growth in the value of Alberta's exports took place during the first four months of 2012, when it rose 14% from the same period in 2011. Between May and December 2012, the value of exports declined by 3.8% from the same period of 2011. The recent weakening in the value of exports is entirely the result of lower prices, especially for oil. Export volumes remained strong between May and September on higher oil and refinery product volumes, but weakened towards the end of the year.

Commodities with strong growth in the value of exports in 2012 were:

- light oils (up 92% to \$460 million - mainly motor gasoline);
- other petroleum oils (up 57% to \$1.5 billion - includes diesel and bunker fuel);
- durum wheat (up 55% to \$244 million);
- barley (up 55% to \$187 million);
- peas (up 65% to \$149 million);
- live cattle (up 25% to \$588 million);
- parts of pumps (up 38% to \$228 million);
- canola oil-cake and meal (up 37% to \$223 million);
- alfalfa and hay (up 77% to \$114 million).

In conclusion, although the value of exports rose only marginally in 2012, export volumes rose strongly on rising oil sands production, a rebound in conventional crude oil production, strong overseas demand for grains and oil seeds and US demand for refinery products. This in turn provided a boost to GDP growth in 2012.

Alberta Merchandise Exports by Industry in 2011 and 2012

EXPORTS By Industry (\$Millions)	2011	2012	Percent Change
Total – All Industries	93,215	94,826	1.7%
Primary Agriculture	4,596	5,621	22.3%
Crops	4,017	4,908	22.2%
Livestock	578	713	23.3%
Mining & Energy	65,900	66,211	0.5%
Crude Oil	51,990	56,958	9.6%
Natural Gas & Natural Gas Liquids	12,332	8,254	-33.1%
Coal	885	662	-25.2%
Sulphur	638	273	-57.2%
Other Mining & Energy	55	64	17.5%
Manufacturing	22,023	22,266	1.1%
Chemicals	7,243	6,623	-8.6%
Food, Feed & Beverage	3,403	3,491	2.6%
Machinery	3,259	3,304	1.4%
Petroleum Products	2,001	2,709	35.4%
Paper Products & Wood Pulp	1,477	1,549	4.9%
Primary Metal Products	1,473	1,208	-18.0%
Fabricated Metal Products	685	784	14.4%
Computer & Electronic Products	603	675	11.8%
Wood Products	551	590	7.1%
Transportation Equipment	549	560	1.9%
Plastics & Rubber Products	245	282	15.2%
Electrical Equipment & Appliances	251	219	-12.9%
Furniture & Related Products	82	88	7.6%
Non-metallic Mineral Products	93	82	-12.6%
Other Manufacturing	106	102	-3.8%
Other Exports	697	729	4.6%

Sources: Statistics Canada and Alberta Enterprise and Advanced Education